

———— NATIONAL CREDIT UNION ADMINISTRATION ————
REGION III

LETTER OF UNDERSTANDING AND AGREEMENT

By and Between

The National Credit Union Administration

And

St. Clements Parish Federal Credit Union

Charter Number 3521

During the most recent on-site contact with your credit union, the National Credit Union Administration (NCUA) noted adverse conditions and trends. We are concerned that your credit union's future may be in serious jeopardy. For this reason, we are asking you to join with us to formally recognize the seriousness of the credit union's situation. By so doing, you agree to vigorously dedicate yourself to the task of ensuring that your credit union is restored to a safe and sound condition. This is for the benefit of the National Credit Union Share Insurance Fund, your credit union, and more importantly, your members.

Please understand that by signing this Agreement, credit union officials are expected to make a sustained and conscientious effort to successfully correct the numerous deficiencies noted and minimize the opportunity for further operational deterioration.

The adverse conditions are identified as follows:

- Poor loan quality
- Ineffective loan collections
- Inadequate loan charge-off policy
- Inadequate Allowance for Loan and Lease Loss (ALLL) policy
- Negative earnings
- Declining net worth
- Weak management

To resolve the conditions noted above, the actions described below have been mutually agreed upon by all parties to the agreement. In consideration of St. Clements Parish Federal Credit Union entering into this Agreement, the undersigned Regional Director hereby agrees to refrain from recommending the initiation of any formal administrative action in connection with the specific conditions addressed in this Agreement as long as the credit union and its officials make a sustained, effective, and good faith effort to comply with all terms of this Agreement, including any required timeframes, or unless such administrative action is required by law or regulation.

AGREED UPON ACTIONS AND TIME-FRAMES

LOAN QUALITY

1. Beginning immediately and ongoing, the credit committee and loan officers, if any, will evaluate the creditworthiness of all applicants, co-applicants, and cosigners by:
 - a. Reviewing a current credit report (FICO) with credit score;
 - b. Calculating an accurate debt-to-income ratio; and
 - c. Obtaining verification of income.
2. Beginning immediately and ongoing, the credit committee and loan officers will cease extending credit to applicants:
 - a. With credit scores less than 670 unless the cosigner has a credit score more than 670;
 - b. Currently delinquent with one or more creditors;
 - c. Repeatedly delinquent with one or more creditors during the preceding twelve months (regardless of current status); or
 - d. Delinquent more than 30 days with St. Clements Parish Federal Credit Union within the preceding six months.
3. Beginning immediately and ongoing, the board and management staff will ensure that loans comply with the loan policy limits.
4. By January 31, 2006, the board will revise the loan policy to include as a minimum, the following criteria:
 - a. Limit signature loans to \$5,000;
 - b. Limit secured automobile loans purchased from dealers to the lower of the NADA retail value or the purchase price;
 - c. Require that vehicle trade-ins have positive equity; and
 - d. Limit secured automobile loans purchased from private owners to the NADA retail value, with no adjustments.

LOAN COLLECTIONS

1. By February 14, 2006, the board will revise, adopt and implement a loan collection policy that will include at least the following:
 - a. Responsible person(s);
 - b. Timely reporting;
 - c. Prompt action;
 - d. Repeated contacts;
 - e. Varied action;
 - f. Prompt follow-up;
 - g. Follow through;
 - h. Timely collateral conversion;
 - i. Prompt referral;
 - j. Documentation.
2. Upon adoption of the collection policy, the board and management staff will implement the above tenets of effective collection practices.

LOAN CHARGE-OFF POLICY

1. By February 14, 2006 the board will develop, adopt and implement a charge-off policy that substantially conforms to NCUA Letter 03-CU-01, subject: Loan Charge-Off Guidance.
2. By February 14, 2006 and ongoing, the board will charge off loss loans monthly.

ALLOWANCE FOR LOAN LOSSES POLICY

1. By February 14, 2006 the board will develop, adopt and implement an Allowance for Loan and Lease Losses policy that conforms to Part 703 of NCUA Rules and Regulations, Interpretive Ruling and Policy Statement (IRPS) 02-3, and generally accepted accounting principles.
2. Beginning immediately and ongoing, the treasurer will prepare monthly financial statements that meet the full and fair disclosure requirements of Part 702.402(b) of the NCUA Rules and Regulations.

NEGATIVE EARNINGS

1. By February 14, 2006 the board will develop, adopt and implement a business plan and financial budget for 2006 that will project positive earnings for 2006.
2. Beginning immediately and ongoing, the board will achieve positive earnings for each calendar quarter in 2006.

DECLINING NET WORTH

1. By February 14, 2006 the board will develop, adopt and implement a plan to maintain the ratio of net worth to assets in excess of 6 percent.
2. Beginning immediately and ongoing, the board will maintain the ratio of net worth to assets in excess of 6 percent.

WEAK MANAGEMENT

1. Beginning immediately and ongoing, the board will comply with Sections 701.14 and 741.205 of the NCUA Rules and Regulations regarding changes in officials of the credit union. This includes the manager, senior executive officers, board members, supervisory committee members and credit committee members.
2. By February 14, 2006 and ongoing, the board will ensure compliance with all outstanding Document of Resolution items.
3. Beginning January 15, 2006 and monthly thereafter, the board will forward copies of the board minutes, financial statements (balance sheet and income statement), delinquent loan lists, general ledger detail showing monthly charge-offs and recoveries, and any revised plans and policies required by this Agreement to NCUA Principal Examiner Robert F. Kessel, by the 15th of each month.

St. Clements Parish Federal Credit Union
Page Five

It is our hope that the management of your credit union understands how seriously we take our responsibility to ensure that the credit union system remains safe, strong, and secure. In the event that the officials of the credit union violate the terms of this Agreement, including any required timeframes, or NCUA discovers additional adverse conditions not addressed by this Agreement, it is understood that the NCUA may, in its sole discretion, take appropriate administrative action pursuant to the Federal Credit Union Act, 12 U.S.C. §1786, et seq., including, but not limited to, civil money penalties, cease and desist orders, removal and prohibition orders, or orders to liquidate, conserve or merge the credit union.

The Regional Director has decided to publish this Agreement.

Therefore, the following individuals indicate that they understand and agree with the contents of this Agreement by affixing their signatures to Pages 5 and 6 of this Letter. This Agreement may be modified only by mutual written agreement by the board of directors and the NCUA Regional Director.

FOR THE ST. CLEMENTS PARISH FEDERAL CREDIT UNION


Chairman of the Board of Directors

1/24/2006
Date


Vice-Chairman

1-24-2006
Date


Treasurer

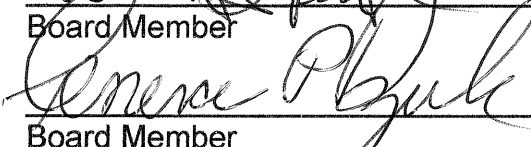
1-24-06
Date


Secretary


1-24-06
Date


Board Member

1-24-06
Date


Board Member

1/24/2006
Date


Board Member

1-24-2006
Date

Manager

Date


FOR THE NATIONAL CREDIT UNION ADMINISTRATION



Regional Director Alonzo A. Swann III

2/2/2006


Date



Supervisory Examiner

1/24/06

Date



Principal Examiner

1/24/06

Date